



Tennessee Housing Development Agency

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MEMORANDUM

To: New Start Program Partners

From: Ed Lozier, Director, Homeownership Division

Date: January 23, 2006

Subject: Expanded Guidelines for the New Start Program

During the past six months we have had numerous conversations with many of you about how to improve the New Start Program and increase utilization. You asked that we consider increasing the maximum income limit and the maximum loan amount. THDA's Board of Directors, in its November meeting approved extending the New Start program through December 31, 2006, expanding the guidelines and allocated an additional \$5,000,000 to the program.

Effective with the date of this memorandum the New Start Program will become a two tiered program.

Tier I- The maximum household income limit will increase to \$30,200 which is 60% of the statewide median income. The interest rate for the Tier 1 Program is 0%. The maximum loan amount cannot exceed 75% of the appraised value.

Tier II – The maximum household income limit for the Tier II program cannot exceed \$35,200 which is 70% of the statewide median income. The interest rate for the Tier II program will be one half (1/2) of THDA's current interest rate for the Great Rate Program. Currently the interest rate on our Great Rate Program is 5.3%, therefore, the interest rate on the Tier II program would be 2.65%. The Tier II interest rate will fluctuate with changes in the interest rate for THDA's Great Rate Program. The maximum loan amount cannot exceed 75% of the appraised value.

We are in the process of updating our program guidelines for the New Start program to give you more guidance as to what THDA needs to approve and fund your New Start loans. Also, this spring we plan to have several training sessions which should help reduce turnaround time and enable THDA to fund your loans sooner.

Some of our smaller not-for-profit program partners have experienced difficulty in processing, underwriting and delivering New Start loans to THDA. Several of THDA's larger Originating Agents that participate in our Great Rate and Great Start programs have expressed an interest in providing technical assistance to our New Start Program Partners. If this assistance would be helpful to you, please let me know. My direct phone number is 615-741-9619 and my email address is Ed.Lozier@state.tn.us

These new expanded Guidelines should enable more low income families to achieve the American Dream of Homeownership. Thank you for your participation in THDA's New Start Program